GOVERNMENT OF INDIA
COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:7216
ANSWERED ON:13.05.2005
FRAUD IN INDUSTRIAL FINANCE CORPORATION OF INDIA
Saroj Shri Tufani

Will the Minister of COMPANY AFFAIRS be pleased to state:

(a) whether the Government has received any complaints about fraud from Industrial Finance Corporation of India (IFCI);

(b) if so, the details of the complaint made by the IFCI;

(c) whether the Government has referred the said complaint to `Serious Fraud Investigation Office` (SFIO);

(d) if not, the reasons therefor; and

(e) if so, the time by which the findings of the inquiry is likely to be received?

Answer

THE MINISTER OF COMPANY AFFAIRS (SHRI PREM CHAND GUPTA)

(a) Yes, Sir.

(b) Industrial Finance Corporation of India (IFCI) has alleged improper diversion of funds amounting to Rs. 45 billion (Rs. 4,500/- crores) by 3 entities namely M/s Usha (India) Ltd., M/s Malvika Steel Ltd. and M/s Koshika Telecom Ltd. from loans provided to them by financial institutions including IFCI in a complaint filed before the Company Law Board (CLB).

(c) Based on the complaint/petition by IFCI, the CLB vide its order dated 22.3.2005 has ordered for investigation under section 237 (b) of the Companies Act, 1956 into the affairs of 3 companies namely M/s Usha (India) Ltd., M/s Malvika Steel Ltd. and M/s Koshika Telecom Ltd.. The Central Government is processing the appointment of competent inspectors drawn from Serious Frauds Investigation Office for carrying out the investigation.

(d) Does not arise.

(e) Six to nine months.